
MARSHAL OF CITY COURT
OF DENHAM SPRINGS - WARD TWO

REPORT ON AUDIT OF
BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2002

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Hannis T. Bourgeois, LLP

Certified Public Accountants

Randy J. Bonnezotte, CPA*
Joseph D. Richard, Jr., CPA*
Ronnie E. Stamper, CPA*
Forrest P. Genze, CPA*
Stephen M. Huggins, CPA*
Monica L. Zurno, CPA*
Ronald L. Gagnon, CPA*
Douglas J. Nelson, CPA*
Celeste D. Vialon, CPA*
Russell J. Resweber, CPA*

Lauri E. Monroe, CPA

*A Professional Accounting Corporation

1175 Del Norte Avenue, Suite B
Denham Springs, LA 70726
Phone: (225) 665-8297
Fax: (225) 667-3813

*Members American Institute of
Certified Public Accountants*

2322 Tremont Drive, Suite 200
Baton Rouge, LA 70809

207 N. Cypress Street
Hammond, LA 70401

July 19, 2002

Independent Auditor's Report

Mr. Steve Achord
Marshal of City Court of
Denham Springs - Ward Two
Denham Springs, Louisiana

We have audited the accompanying basic financial statements of the Marshal of City Court of Denham Springs - Ward Two, a component unit of the City of Denham Springs, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Marshal. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Marshal of City Court of Denham Springs - Ward Two as of June 30, 2002, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Marshal of City Court of Denham Springs - Ward Two adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*; and Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2001. This results in a change in the format and content of the basic financial statements.

Marshal of City Court of
Denham Springs - Ward Two
Denham Springs, Louisiana

In accordance with Government Auditing Standards, we have also issued a report dated July 19, 2002, on our consideration of the Marshal's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of our audit performed in accordance with Government Auditing Standards and should be used in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages three through seven is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

Harold A. Bourgeois, CPA



MARSHAL
STEVE ACHORD

WARD TWO MARSHAL
CITY COURT OF DENHAM SPRINGS
LIVINGSTON PARISH, LOUISIANA

398 MAYOR HERBERT HOOVER AVE.
DENHAM SPRINGS, LA 70726
PHONE NO. 225-665-8568
FAX 225-664-2648

DEPUTIES
CARL R. MARTIN
PATRICIA KENNEDY
COLLETTE MITCHELL

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Marshal of City Court of Denham Springs-Ward Two's (Marshal) financial performance provides an over view of the Marshal's financial activities for the year, which ended June 30, 2002. Please read it in conjunction with the Marshal's financial statements, which begin on, page 8.

FINANCIAL HIGHLIGHTS

The Marshal's net assets increased by \$19,413 or approximately 17%.

The Marshal's total program revenues were \$349,359 compared to \$359,538 last year. A decrease of \$10,179 or 2.8%.

Total expenses for the Marshal's Office during the year ending June 30, 2002 was \$333,543.

USING THIS ANNUAL REPORT

This report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (pages 8 and 9) provide information about the Marshal's activities as a whole. The Balance Sheet for Governmental Funds (page 10) details the assets and liabilities of the governmental funds while the Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets (page 11) shows why the amounts reported for governmental activities in the Statement of Net Assets are different. Pages 12 and 13 detail the revenues, expenditures and changes in fund balance of the governmental funds while the reconciliation (page 14) reconciles net changes in fund balances to change in net assets of the Governmental Activities. Pages 15 and 16 reflect the differences in the adopted and actual budgets. The major differences in revenues were caused by the decline in court cost revenues, while the difference in expenditures were caused by the failure to include on-behalf payments in salaries, by the purchase of new security equipment and the increase in vehicle and liability insurance. The security equipment additions were required to increase the efficiency and safety of the Courtroom and the offices of Court and Marshal. Notes to Financial Statements as a form of explanation follow on pages 17

through 24. The Marshal is an independent elected official. However, since the Marshal's office is dependent on the City of Denham Springs to provide office space, a courtroom and related utility costs, as well as reimbursements of a portion of its salaries, the Marshal is determined to be a component unit of the City of Denham Springs. The accompanying financial statements only present information in the funds maintained by the Marshal.

REPORTING THE FUNDS MAINTAINED BY THE MARSHAL OF CITY COURT OF DENHAM SPRINGS-WARD TWO AS A WHOLE

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES

Our analysis of the funds maintained by the Marshal as a whole begins on page 8. The Statement of Net Assets and Statement of Activities report information about the funds maintained by the Marshal as a whole and about its activities in a way which helps answer one of the most important questions asked about the Marshal's finances, "Is the Marshal, as a whole, better off or worse off as a result of the year's activities?" These statements include all assets and liabilities using the accrual basis of accounting used by most private sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when the cash was received or paid.

These two statements report the Marshal's net assets and the changes in them. These net assets, the difference between the assets and the liabilities, is one way to measure the Marshal's financial position or financial health and over time, increases or decreases in the net assets are one indicator of whether its financial health is improving or deteriorating.

We record the funds maintained by the Marshal as governmental activities in the Statement of Net assets and Statement of Activities.

All of the expenses paid from the funds maintained are reported here as governmental activities and consist primarily of salaries, fees paid and benefits, office expenses, contract services, memberships and educational conferences. Court cost and fees and operating grants and contributions from the City of Denham Springs and the Livingston Parish Council finance most of the activities of the Marshal.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. The Marshal's total net assets change from a year ago, increased from \$116,646 to \$136,059. The fiscal year ended June 30, 2002 is the first year that

GASB Statement 34 was applied. Because of this, the Marshal was not required to restate prior periods to provide comparative data, but in future years when prior information is available, a comparative analysis will be presented.

By far the largest portion of the Marshal's net assets (66 %) is in cash and investments. Because of this the Marshal is able to take advantage of new technology in an effort to provide services to the public in the most efficient and effective manner.

**TABLE I
TOTAL NET ASSETS**

Current assets	\$ 89,499
Capital assets	<u>60,848</u>
Total	150,347
Current liabilities	14,288
Net assets:	
Investments in capital assets	60,848
Unrestricted	<u>75,211</u>
Total Net Assets	<u>\$136,059</u>

Net assets of the funds maintained by the Marshal's governmental activities increased by \$19,413 or approximately 17% over the prior year. Unrestricted net assets, the part of net assets that can be used to finance the Marshal's expenses without constraints or other legal requirements decreased by \$ 5,343 from \$80,554 at June 30, 2001 to \$75,211 at June 30, 2002.

**TABLE 2
CHANGE IN NET ASSETS**

	<u>Governmental Activities</u>
Revenues	
Program Revenues	
Court cost and fees and operating grants and contributions	\$ 349,359
Interest income and miscellaneous	<u>3,597</u>
Total revenues	352,956
Expenses	
General governmental – judicial	<u>333,543</u>
Increase in net assets	<u>\$ 12,413</u>

During the fiscal year ended June 30, 2002, fees received declined by \$31,409 or approximately 15% due to a reduction in the number of tickets issued in the current fiscal year.

Expenses, excluding depreciation expense of \$15,160, increased by \$26,996 or approximately 9%. For the most part, increases in expenses closely paralleled inflation with a couple of exceptions. Salaries increased by approximately \$21,000 due to salary increases in the current year and additional personnel. Also an increase in vehicle and liability insurance of approximately \$ 6,000.

GENERAL FUND BUDGETARY HIGHLIGHTS

Because of an oversight, the Marshal failed to amend its original budget for the fiscal year ended June 30, 2002. Unfavorable variances in charges for services were caused by the reduction of tickets issued. The unfavorable variances in Salaries, Fees Paid and Benefits were entirely caused by the failure to budget the On-Behalf Payments and salary reimbursements from the City of Denham Springs as expenses of the Marshal. The unfavorable variance in insurance was caused by the unforeseen large increase in premiums for the current year. Finally, the unfavorable variance in the Capital Outlay was caused by the unexpected purchase of additional security equipment for the courtroom and office areas.

CAPITAL ASSETS

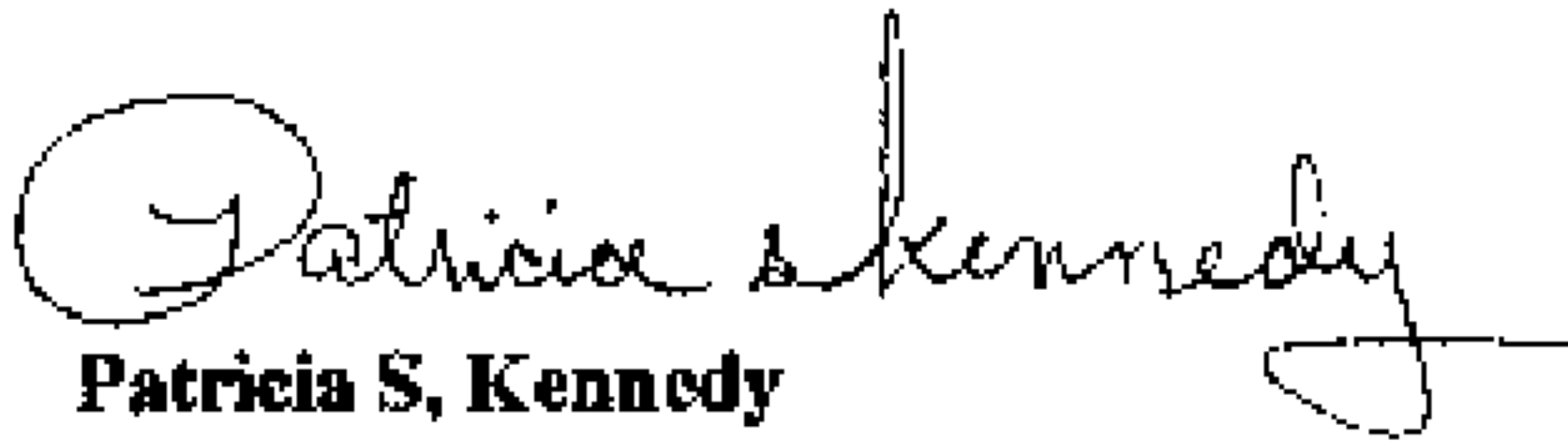
The major additions to the capital assets this year were the purchases of a new vehicle (\$19,950) and equipment (\$17,468) to increase security in the courtroom and court offices.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Marshal's management considered many factors when setting the operating budget for the fiscal year ending June 30, 2003. As very minimal changes are expected in the next fiscal year, anticipated revenues will again be approximately \$375,000, while anticipated expenditures will be approximately \$360,000. Therefore, the total governmental fund balance is expected to increase by approximately \$15,000.

CONTACTING THE MARSHAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview for the funds maintained by the Marshal of City Court of Denham Springs-Ward Two and to show the accountability for the money it receives. If you have any questions or need additional financial information, contact the Marshal's of office at 398 Mayor Herbert Hoover Ave., Denham Springs, Louisiana 70726.

A handwritten signature in cursive script that reads "Patricia S. Kennedy". The signature is written in black ink and is positioned above the printed name and title.

**Patricia S. Kennedy
Deputy Marshal/Officer Manager
City / Ward Two Marshal's Office**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

STATEMENT OF NET ASSETS

JUNE 30, 2002

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 69,151
Investment (Certificate of Deposit - Maturity Greater Than 90 Days)	20,270
Accrued Interest Receivable	78
Capital Assets (Net of Accumulated Depreciation)	<u>60,848</u>
Total Assets	<u>\$ 150,347</u>
LIABILITIES	
Accounts Payable	\$ 4,738
Payroll Taxes Payable	3,661
Due To Primary Government	<u>5,889</u>
Total Liabilities	14,288
NET ASSETS	
Investment in Capital Assets	60,848
Unrestricted	<u>75,211</u>
Total Net Assets	<u>136,059</u>
Total Liabilities and Net Assets	<u>\$ 150,347</u>

The accompanying notes constitute an integral part of this statement.

MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2002

Governmental Activities:

Expenses:

Judicial:

Salaries, Fees Paid and Benefits	\$ 261,602
Office Expenses	33,491
Contract Services	16,352
Memberships and Educational Conferences	6,938
Depreciation	<u>15,160</u>
Total Expenses	333,543

Program Revenues:

Court Costs and Fees	176,271
Operating Grants and Contributions	<u>173,088</u>
Net Program Revenues	15,816

General Revenues:

Interest Income	1,827
Miscellaneous	<u>1,770</u>
Total General Revenues	<u>3,597</u>

Change in Net Assets 19,413

Net Assets - Beginning of Year 116,646

Net Assets - End of Year \$ 136,059

The accompanying notes constitute an integral part of this statement.

FUND FINANCIAL STATEMENTS

MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2002

	<u>General</u>
ASSETS	
Assets:	
Cash and Cash Equivalents	\$ 69,151
Investment (Certificate of Deposit - Maturity Greater Than 90 Days)	20,270
Accrued Interest Receivable	<u>78</u>
Total Assets	<u>\$ 89,499</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts Payable	\$ 4,738
Payroll Taxes Payable	3,661
Due to Primary Government	<u>5,889</u>
Total Liabilities	14,288
Fund Balances:	
Unreserved	<u>75,211</u>
Total Fund Balances	<u>75,211</u>
Total Liabilities and Fund Balances	<u>\$ 89,499</u>

The accompanying notes constitute an integral part of this statement.

MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

**RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2002

Fund Balances - Total Governmental Fund \$ 75,211

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds

Governmental Capital Assets	\$132,618	
Less: Accumulated Depreciation	<u>(71,770)</u>	
		<u>60,848</u>

Net Assets of Governmental Activities \$ 136,059

The accompanying notes constitute an integral part of this statement.

MARSHAL OF CITY COURT OF DENHAM SPRINGS -WARD TWO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND

JUNE 30, 2002

	<u>General</u>
Revenues:	
Charges for Services:	
Court Costs and Fees	\$ 171,552
Bond Preparation Fee	3,304
Bond Surrenders Fee and Bond Forfeiture	<u>1,415</u>
	176,271
Intergovernmental Revenues -	
on Behalf Payments	66,033
Primary Government - City of Denham Springs	53,110
Livingston Parish Council	47,732
City Court of Denham Springs - Ward Two	5,000
Grant Revenue	1,213
Interest Income	1,827
Miscellaneous	<u>1,770</u>
Total Revenues	352,956
Expenditures:	
Judicial:	
Salaries, Fees Paid and Benefits:	
Salaries	243,254
Contract Labor	335
Payroll Tax Expense	13,730
Retirement Expense	<u>4,283</u>
	261,602
Office Expenses:	
Office Supplies and Printed Forms	6,555
Telephone	7,885
Postage	1,192
Miscellaneous	1,330
Insurance	14,817
Uniforms	<u>1,712</u>
	33,491

(CONTINUED)

MARSHAL OF CITY COURT OF DENHAM SPRINGS -WARD TWO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2002

	<u>General</u>
Expenditures (Continued):	
Judicial (Continued):	
Contract Services:	
Professional Fees	1,750
Service Contract	716
Rent	2,851
Vehicle Expense	<u>11,035</u>
	16,352
Memberships and Educational Conferences:	
Membership Dues and Subscriptions	750
Training	<u>6,188</u>
	6,938
Capital Outlay	<u>39,916</u>
Total Expenditures	<u>358,299</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,343)
Fund Balances - Beginning of Year	<u>80,554</u>
Fund Balances - End of Year	\$ <u>75,211</u>

The accompanying notes constitute an integral part of this statement.

MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30,2002

Net Change in Fund Balances - Total Governmental Fund \$ (5,343)

Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures. In the
statement of activities, the costs of those assets is allocated over
their estimated useful lives as depreciation expense. This is the
amount by which capital outlays exceeded depreciation expense in
the current period.

Change in Net Assets of Governmental Activities \$ 24,756
19,413

The accompanying notes constitute an integral part of this statement.

MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2002

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance With Original/Final Budget Favorable (Unfavorable)</u>
Revenues:			
Charges for Services:			
Court Costs and Fees	\$ 200,050	\$ 171,552	\$ (28,498)
Bond Preparation Fee	2,500	3,304	804
Bond Surrender Fee and Bond Forfeiture	700	1,415	715
	<u>203,250</u>	<u>176,271</u>	<u>(26,979)</u>
Intergovernmental Revenues -			
on Behalf Payments	-	66,033	66,033
Primary Government - City of Denham Springs	32,300	53,110	20,810
Livingston Parish Council	41,700	47,732	6,032
City Court of Denham Springs - Ward Two	-	5,000	5,000
Grant Revenue	1,250	1,213	(37)
Interest Income	850	1,827	977
Miscellaneous	365	1,770	1,405
	<u>279,715</u>	<u>352,956</u>	<u>73,241</u>
Total Revenues	279,715	352,956	73,241
Expenditures:			
Judicial:			
Salaries, Fees Paid and Benefits:			
Salaries	155,000	243,254	(88,254)
Contract Labor	-	335	(335)
Payroll Tax Expense	12,000	13,730	(1,730)
Retirement Expense	4,000	4,283	(283)
	<u>171,000</u>	<u>261,602</u>	<u>(90,602)</u>
Office Expenses:			
Office Supplies and Printed Forms	4,700	6,555	(1,855)
Telephone	8,500	7,885	615
Postage	1,100	1,192	(92)
Miscellaneous	4,800	1,330	3,470
Insurance	7,625	14,817	(7,192)
Uniforms	1,100	1,712	(612)
	<u>27,825</u>	<u>33,491</u>	<u>(5,666)</u>

(CONTINUED)

MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2002

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance With Original/Final Budget Favorable (Unfavorable)</u>
Expenditures (Continued):			
Judicial (Continued):			
Contract Services:			
Professional Fees	1,700	1,750	(50)
Service Contract	350	716	(366)
Rent	2,325	2,851	(526)
Vehicle Expense	<u>15,000</u>	<u>11,035</u>	<u>3,965</u>
	19,375	16,352	3,023
Memberships and Educational Conferences:			
Membership Dues and Subscriptions	450	750	(300)
Training	<u>6,000</u>	<u>6,188</u>	<u>(188)</u>
	6,450	6,938	(488)
Capital Outlay	<u>23,500</u>	<u>39,916</u>	<u>(16,416)</u>
Total Expenditures	<u>248,150</u>	<u>358,299</u>	<u>(110,149)</u>
Excess (Deficiency) of Revenues Over Expenditures	31,565	(5,343)	(36,908)
Fund Balances - Beginning of Year	<u>80,554</u>	<u>80,554</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 112,119</u>	<u>\$ 75,211</u>	<u>\$ (36,908)</u>

The accompanying notes constitute an integral part of this statement.

MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

Note 1 - Summary of Significant Accounting Policies -

The General Fund of the Marshal of City Court of Denham Springs - Ward Two (the "Marshal") was created to account for revenues received from the Criminal Docket of City Court of Denham Springs - Ward Two.

The accounting and reporting policies of the Marshal of City Court of Denham Springs - Ward Two conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the industry audit guide, Audits of State and Local Governmental Units.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Certain of the significant changes in the Statement include the following:

For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Marshal's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Marshal's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The Marshal has elected to early implement the provisions of GASB 34 as required by the City of Denham Springs for the fiscal year ending June 30, 2002.

A. Financial Reporting Entity

For reporting purposes the City of Denham Springs, Louisiana, serves as the financial reporting entity for both the municipality (City of Denham Springs) and for the Ward Two Court System. The financial reporting entity consists of (1) the primary government (all funds under the auspices of the Mayor and Board of Aldermen of the City of Denham Springs), (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14, the Financial Reporting Entity, established criteria for determining which component units should be considered part of the City of Denham Springs for financial reporting purposes. The basic criteria are as follows:

MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the City governing authority (Mayor and Board of Aldermen) appoints a majority of board members of the potential component unit.
3. Fiscal interdependency between the City and the potential component unit.
4. Imposition of will by the City on the potential component unit.
5. Financial benefit/burden relationship between the City and the potential component unit.

Based on the previous criteria, City Management has included the Marshal of City Court of Denham Springs - Ward Two as a component unit of the City of Denham Springs. Since the Marshal is an elected official and has certain statutorily defined sources of funds for his own operating and/or capital budget discretion, the funds of the Marshal of City Court of Denham Springs - Ward Two will be discretely presented in the City of Denham Springs government-wide financial statements for the year ended June 30, 2002.

B. Basis of Presentation

Basic Financial Statements - Government-Wide Statements

The Marshal's basic financial statements include both government-wide (reporting the Marshal as a whole) and fund financial statements (reporting the Marshal's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. There were no activities of the Marshal categorized as a business type activity.

In the government-wide Statement of Net Assets, the governmental activity column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis.

MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

The government-wide Statement of Activities reports both the gross and net cost of the Marshal's function. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (interest and investment earnings, etc).

The Marshal does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Marshal as an entity and the change in the Marshal's net assets resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the Marshal are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The Marshal uses the following fund types:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Marshal:

- 1) The General Fund is the general operating fund of the Marshal. It is used to account for all financial resources except those required to be accounted for in another fund. At June 30, 2002, it is the only fund of the Marshal.

MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

C. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual -

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues of the Marshal consist principally of interest income and fines and fees for services relating to court filings. Interest income is recorded when earned. Fines and fees for services are recorded when received in cash because they are generally not measurable until actually received.

2. Modified Accrual -

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred. Depreciation is not recognized in the Governmental Fund Financial Statements.

D. Capital Assets

Capital assets are reported in the government-wide financial statements at historical cost. Additions, improvements or other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight line basis over the following estimated useful lives:

Computer equipment	5 years
Office furniture and equipment	5 to 10 years
Office improvements	20 years

MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

E. Budgets and Budgetary Accounting

The proposed budget for the General Fund of the Marshal, prepared on the modified accrual basis of accounting by the Marshal, was adopted by the Marshal on May 4, 2001, for the fiscal year ended June 30, 2002. All appropriations lapse at year-end. The original budget adopted May 4, 2001, was not amended during the fiscal year ended June 30, 2002.

F. Accumulated Unpaid Vacation and Sick Pay

The Employees of the Marshal of City Court of Denham Springs - Ward Two are not allowed to accumulate vacation or sick time.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets. At June 30, 2002, the Marshal had no outstanding debt.

I. Change in Accounting Principles and Restatement of Prior Year Fund Equity

For the fiscal year ended June 30, 2002, the Marshal implemented the following GASB Standards:

Statement No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments

Statement No. 37 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus

MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

Statement No. 38 - *Certain Financial Statement Note Disclosures*

Interpretation No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The transition from governmental fund balances total equity to net assets for June 30, 2001 is presented below:

		<u>Governmental Activities</u>
Total Fund Balances as Previously Reported		\$ 80,554
Adjustment to capitalize assets and record beginning accumulated depreciation on those assets as of June 30, 2001:		
Governmental Capital Assets	\$ 107,242	
Less: Accumulated Depreciation	<u>(71,150)</u>	<u>36,092</u>
Restated Net Assets, June 30, 2001		<u>\$ 116,646</u>

Note 2 - Deposits and Investments -

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit with maturities of 90 days or less. Investments include certificates of deposit with maturities over 90 days. Under state law the Marshal may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the Marshal may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

As confirmed by the fiscal agent, the Marshal had cash and cash equivalents totaling \$97,529 and a carrying value of \$89,421 at June 30, 2002. Cash and cash equivalents are stated at cost, which approximates market. These deposits must be secured under state law by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. The cash and cash equivalents at June 30, 2002, were secured as follows:

MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

	Confirmed Bank Balance <u>June 30, 2002</u>	FDIC Insurance	Balance <u>Uninsured</u>
Cash	\$ 77,259	\$100,000	\$ -
Investments (Certificates of Deposit - Maturities Greater Than 90 Days)	<u>20,270</u>	<u>100,000</u>	<u>-</u>
Total	<u>\$ 97,529</u>	<u>\$200,000</u>	<u>\$ -</u>

Note 3 - Changes in Capital Assets -

Capital asset activity for the year ended June 30, 2002 is as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
Office Equipment	\$ 21,365	\$ 2,498	\$ 597	\$ 23,266
Furniture and Fixtures	8,851	-	-	8,851
Machinery and Equipment	12,871	17,468	1,075	29,264
Vehicles	59,744	19,950	12,868	66,826
Leasehold Improvements	<u>4,411</u>	<u>-</u>	<u>-</u>	<u>4,411</u>
Totals	107,242	39,916	14,540	132,618
Less Accumulated Depreciation for:				
Office Equipment	13,349	2,782	597	15,534
Furniture and Fixtures	6,233	953	-	7,186
Machinery and Equipment	9,836	1,630	1,075	10,391
Vehicles	41,235	9,574	12,868	37,941
Leasehold Improvements	<u>497</u>	<u>221</u>	<u>-</u>	<u>718</u>
Total Accumulated Depreciation	<u>71,150</u>	<u>15,160</u>	<u>14,540</u>	<u>71,770</u>
Capital Assets, Net	<u>\$ 36,092</u>	<u>\$ 24,756</u>	<u>\$ -</u>	<u>\$ 60,848</u>

Depreciation expense was charged to governmental activities as follows:

Judicial	<u>\$ 15,160</u>
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MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

Note 4 - Retirement Commitments -

Employees of the Marshal of City Court of Denham Springs - Ward Two may elect to be members of the Parochial Employees' Retirement System of Louisiana - Plan "B", a multiple-employer public employee retirement system. Contributions to the system are made by both employees and the Marshal's office as a percentage of salaries. Beginning January 1, 2002, the contribution rate for the employer was 2.75% of covered earnings and the rate for the employee was 3.00% of covered earnings. For the fiscal year ended June 30, 2002, the Marshal contributed \$4,283. Data concerning the actuarial status of the system at June 30, 2002, is not currently available.

All employees of the Marshal's office, with the exception of the Marshal, are also covered by the Social Security System. The Marshal's office contributed \$13,730 to the System in fiscal year 2002, as its share of employer contributions.

Note 5 - On-Behalf Payments for Salaries and Benefits -

The Marshal follows Government Accounting Standards Board Statement No. 24 "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance." This standard requires the Marshal to report in the financial statements on-behalf salary and fringe benefit payments made by the State of Louisiana, the City Court of Denham Springs - Ward Two, and the Livingston Parish Council. These payments were made directly to the Marshal and his employees.

The Marshal is not legally responsible for these salary supplements. Therefore, the basis for recognizing the revenue and expenditure payments is the actual contributions made by each of the entities to the Marshal and the employees.

For the fiscal year ended June 30, 2002 State supplemental payments to the Marshal and employees amounted to \$21,600 while payments from the City Court and the Livingston Parish Council amounted to \$25,123 and \$19,310, respectively.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE BASIC
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Hannis T. Bourgeois, LLP

Certified Public Accountants

Randy J. Bonrocze, CPA*
Joseph D. Richard, Jr., CPA*
Ronnie B. Stumper, CPA*
Fernand P. Genus, CPA*
Stephen M. Higgins, CPA*
Monica L. Zanco, CPA*
Ronald L. Gagnon, CPA*
Douglas J. Nelson, CPA*
Crista D. Viatre, CPA*
Russell J. Rusweber, CPA*

Laura B. Monroe, CPA

*A Professional Accounting Corporation

1175 Del Este Avenue, Suite B
Denham Springs, LA 70726
Phone: (225) 665-8297
Fax: (225) 667-3813

*Members American Institute of
Certified Public Accountants*

2322 Tremont Drive, Suite 200
Baton Rouge, LA 70809

207 N. Cypress Street
Hammond, LA 70401

July 19, 2002

Mr. Steve Achord
Marshal of City Court of
Denham Springs - Ward Two
Denham Springs, Louisiana

We have audited the basic financial statements of the Marshal of City Court of Denham Springs - Ward Two (a component unit of the City of Denham Springs), as of and for the year ended June 30, 2002, and have issued our report thereon dated July 19, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Marshal's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of non-compliance that is required to be reported under Government Auditing Standards, as described below:

Prior Year Finding:

As of June 30, 2001, the Marshal failed to maintain adequate federal deposit insurance or pledged collateral for their Cash and Cash Equivalents. At June 30, 2001 the Marshal was underinsured by \$7,574.

Recommendation:

We recommended that the Marshal secure 100% of all deposits by federal deposit insurance or the pledge of securities owned by the bank.

*Marshal of City Court of
Denham Springs - Ward Two*

Corrective Action Taken:

During the current fiscal year, deposits were divided between two financial institutions and are 100% covered by federal deposit insurance at June 30, 2002.

Current Year Finding:

Finding 2002-1:

The Marshal failed to amend its budget during the year as required by the Louisiana Local Government Budget Act.

Recommendation:

As required by the Budget Act we recommend that when revenues are expected to fall below 5% of budgeted revenues, and/or when expenditures are expected to exceed 5% of the budgeted expenditures, that a budget amendment be made by the Marshal. In addition, when total budgeted expenditures exceed \$250,000, you must advertise for a public hearing and make available for public inspection a copy of the proposed budget and/or amended budget prior to adoption.

Management's Response:

Management concurs with the recommendations and plans to compare budgeted amounts and actual amounts on a regular basis, therefore, amending the budget as required.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marshal's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Marshal's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is as follows:

Marshal of City Court of
Denham Springs - Ward Two

Condition:

Because of a limited number of available personnel in the Marshal's office, it is not always possible to adequately segregate certain incompatible duties, so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected. This was also a finding in the prior year.

Recommendation:

Based on the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties. However, there should be controls in place to compensate for these lack of segregation of duties.

Action Plan:

None considered necessary.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of management and the Louisiana Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

Respectfully submitted,

Harold A. Langston, CPA